



RATING ACTION

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PACRA PLACES RATINGS OF PACE (PAKISTAN) LIMITED ON RATING WATCH

The Pakistan Credit Rating Agency (PACRA) has placed the entity and instrument ratings of Pace (Pakistan) Limited (Pace) on **Rating Watch**. The current ratings carrying negative outlook are, entity (long-term: A; short-term A1) and instrument (TFC PKR 1,500mln: A+; *Sukuk* PKR 400mln: A+).

The management plans to restructure its TFC issue of PKR 1,500mln to extend the principal repayment grace period till August 15, 2012. Additionally the tenor of the instrument would be increased to 9 years from existing 5 years. The main rationale behind the proposed restructuring is the management's intentions to retain maximum financial resources within the company to ensure timely completion of its ongoing projects. Taking cognizance of this development PACRA has placed the company's ratings on Rating Watch.

The company has alternative avenues available for the repayment of its obligations in the form of investment properties. Nevertheless, the ratings will continue to remain under watch till the successful and timely completion of the restructuring process or payment made on due date of the upcoming installment (Payment date: August 15, 2010, Principal amount: PKR 249.8mln). Meanwhile, any delay in restructuring and/or non-payment of the debt obligations would have negative rating implications.

About the TFC: Pace issued its first secured and listed TFCs of PKR 1,500mln in Feb-08 for a tenure of 5 years. The profit payment is based on six months KIBOR plus 1.5%. The principal repayment is in 6 semi-annual installments with first installment due on August 15, 2010. The issue is secured by first pari passu charge on assets (movable and immovable) by way of equitable mortgage of immovable properties and hypothecation of movable assets with 25% margin.

About the company: Pace (Pakistan) Limited (Pace), incorporated in 1992, was acquired by First Capital Group in 1998. Pace has been listed on Karachi and Lahore stock exchanges since February 2007. Pace has established a strong position in the past few years in real estate sector of Pakistan. The company is principally engaged in developing, managing and sale of real estate properties.

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